



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Consider Consortium Agreement with San Joaquin County for HOME Program

MEETING DATE: August 21, 1991

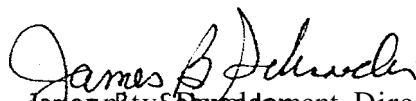
PREPARED BY: Community Development Director

RECOMMENDED ACTION: That the City Council consider entering into a Cooperation Agreement with San Joaquin County, as necessary to become eligible to receive funds under HUD's HOME Program. This agreement shall be in force through the end of Federal Fiscal Year 1993.

BACKGROUND INFORMATION: Under the Housing and Community Development Act of 1974, San Joaquin County as an urban county is potentially eligible to receive HOME funds equal to or greater than \$750,000. This consortium agreement solicits the cooperation and co-participation of Lodi and cities in the County for purposes of receiving HOME funds under the National Affordable Housing Act and promoting affordable housing.

The primary intent of this agreement is to enable the County and the Cities to cooperate in undertaking public-private partnerships to provide more affordable housing within San Joaquin primarily to benefit low and very low income households.

FUNDING: None Required.


James B. Schuchman
Community Development Director

Prepared by Eric W. Veerkamp, Community Development Block Grant Coordinator

JBS/EWV/cg

Attachment

APPROVED: 

THOMAS A. PETERSON
City Manager



recycled paper

HOME INVESTMENT PARTNERSHIPS ACT (HOME)

PROGRAM DESIGN/PURPOSE

- HOME is intended to be a locally designed and administered program which:
 - expands the supply of **decent, safe, affordable and** sanitary housing, with primary attention to **low income rental housing**
 - strengthens the abilities of **state/local** governments to **design and Implement** affordable housing strategies
 - Provides both federal **financial** and **technical assistance** (including the development of model programs and approaches)
- Federal restrictions **on use of funds and** program requirements vary by the activity being funded. In general, the legislation places requirements on:

Eligible uses of funds	Per unit assistance limits
Program Benefit requirements	Matching fund requirements
- **me** program **is** intended **provide** local jurisdictions with a source of funds which **can** be used to implement **locally designed housing** programs which **best fit local needs**. (It in essence replaces a variety of **specialized** federal housing rehabilitation programs including Rental Rehabilitation, Section 312, **Urban Homesteading**, and **Section 8 New Construction**, Substantial Rehabilitation and Moderate Rehabilitation Programs, except for **Moderate Rehabilitation SROs**).

ELIGIBLE ACTIVITIES

Funds may be used for:

- Rehabilitation (**≤ \$25,000/DU**)
- Substantial Rehabilitation (**\$25,000/DU or more**)
- New Construction
- Acquisition
- Site Improvements
- Conversion/Demolition
- Financing **Costs/Relocation**
- **Tenant-based** rental subsidies

and may be provided in the form of:

- Loans of grants
- Equity
- Interest subsidies
- Other methods determined by HUD

REHABILITATION VS. NEW CONSTRUCTION

- Grantees must **give preference to rehabilitation** unless it is not cost-effective or the **grantee's** affordable housing needs cannot be met through rehabilitation
- **New construction is only permitted** when HUD determines that an inadequate housing supply exists and/or there is a **shortage of** substandard housing suitable **for rehabilitation as** affordable housing. (HUD's criteria must **result in at least 30 percent of grantees being** deemed **eligible to undertake new construction.**)
- **However, grantees may undertake** new construction if:
 - New construction is needed to** facilitate a neighborhood revitalization program which emphasizes rehabilitation in a grantee-designated area:
 - The housing **is located in a low/mod** neighborhood;
 - The number of units** constructed **doesn't** exceed 20 percent **of** total units assisted under **the** neighborhood revitalization program: (20% limit may **be waived** in certain circumstances)
 - The housing **is produced by** a community housing development organization or a **public agency.**
- **And, grantees may undertake new construction** to meet **the needs of special populations (large families, persons with disabilities, homeless, other needs approved by HUD.)**
- 10 percent of 1991 funds and 15 percent of 1992 funds will **be** dedicated to new construction or substantial rehabilitation **(to be used by** grantees determined to qualify).

PROHIBITED ACTIVITIES

Funds may not be used:

- For administrative costs
- For tenant-based assistance in conjunction with:
 - **Section 8 Existing subsidies**
 - **Replacement of demolished public housing**
 - Preserving federally **assisted** housing
 - **Property disposition**
 - Displacement from RRP
 - Extending **Section 8** housing assistance
- As a non-federal match for other programs
- For annual contributions for public housing
- For Public Housing Modernization (CIAP)
- In conjunction with the Emergency Low Income Preservation Act of 1987
- In conjunction with the Low Income Housing Preservation & Resident Homeowner Act of 1990

HOUSING STRATEGY/MODEL PROGRAMS

- Each jurisdiction must develop a Comprehensive Housing Strategy for review and approval by HUD.
- HUD must provide **local** governments with **technical** assistance including model program designs to assist them in implementing the HOME program.
- o Mandated model programs include:
 - A rental **housing** production program in which up to 50% of development costs would be provided at 3 percent interest. (Limitations on surplus cash are specified.)
 - A rental rehabilitation program similar to the ~~Current~~ Rental Rehabilitation Program
 - A ~~rehabilitation~~ loan program similar to the current Section 312 program.
 - Several sweat equity programs including:
 - o grants to nonprofit and community housing development organizations to provide technical **and** supervisory **assistance** to low income families participating in a self-help housing program.
 - o a homeownership program in which eligible families exchange labor for acquisition of the property.
 - o a rental opportunities program in which tenant labor would be used as a supplement or in lieu of rent payments by the tenant.
 - Home repair services grant program for older and disabled homeowners
 - Low income housing energy conservation and efficiency grant program.
 - Second mortgage assistance for first-time homebuyers
 - Rehabilitation of State and **Local IN REM properties**

SET ASIDES FOR COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

- Not less than 15 percent of the funds allocated to a local jurisdiction must be reserved for use by **community** housing development organizations for a period of 18 months.
- Monies in the set aside are to used only for housing developed, sponsored or owned by **community** housing development organizations.
- Community housing development organizations:
 - organized under state or local laws as non profits
 - dedicated to provision of affordable low/moderate income housing
 - maintain representation by and accountability to low income community residents
 - have a demonstrated capacity to carry out activities under HOME
 - have a history of serving the local community
- o Community housing development organizations may use the funds for:
 - any eligible HOME activity; and
 - Up to 10 percent of this amount may be used for technical assistance, site control loans and seed money loans.

FUNDING

- o Funding to be provided on a formula allocation basis to:

States (minimum allocation for states = \$3 million)

Cities/Counties/Consortia eligible to receive at least \$750,000 by the allocation formula

Cities and counties that would receive a formula allocation of less than \$750,000 where the state, locality or other funding source pledges to provide the gap.

Formula is need driven based primarily on housing needs, conditions, and affordability.

- o 60/40 split of allocation between Cities/counties and States
- o One percent of funding is taken 'off the top' for Indian Tribes
- Amounts specified for technical assistance may also be taken 'off the top'
- 15 percent of each grantee's allocation is set-aside for non-profit development entities
- o Funds must be matched as follows:

25 percent for rehabilitation and tenant-based rental subsidies
33 percent for substantial rehabilitation
50 percent for New construction

- Authorization

	<u>1991</u>	<u>1992</u>
Total Authorization	\$1 billion	\$2.086 billion
Fund for Non Profit Technical Assistance	\$14 million	\$14 million
Fund for Other Technical Assistance	\$11 million	\$11 million

- Appropriations: None to Date TBD

PROGRAM BENEFIT (income Targeting and Affordability)

For rental assistance/rental units, all units must be occupied by lower income families.

- o Program participants to be taken from the Section 8 waiting list.
- At least 90 percent of funds must be used to assist units initially occupied by families whose incomes do not exceed 60 percent of area median.
- o Balance of funding must be used to assist units initially occupied by families whose incomes do not exceed 80 percent of area median income.
- Rents may not exceed the lesser of the applicable Fair Market Rent or 30 percent of adjusted family income of a family at 65 percent of area median income. (HUD may establish higher or lower limits.)
- A minimum of 20 percent of units must be occupied by very low income occupants (50 percent of area median) paying no more than the lesser of 30 percent of adjusted income or the gross rent for rent restricted units under 42(g)(2) of Internal Revenue Code of 1986.
- o Units must remain affordable for remaining life of property (HUD determined) or for such other period HUD determines is the longest feasible period of time, consistent with sound economics. (Project rents may be adjusted by HUD if HUD finds this necessary for continued financial feasibility.)
- Tenant income must be recertified annually. Tenants no longer qualifying as low income may remain in property, but must pay 30% of adjusted income to rent.

For homeowner assistance

- o Only first time homebuyers for whom this will be a principle residence are eligible
- 100 percent of funding must benefit families at or below 80 percent of area median income.
- Purchase price may not exceed 95 percent of median purchase price for the area (adjusted for size, type of structure, age of dwelling.)
- Properties may be resold only to other low income families for use as a principle residents at a price consistent with grantee guidelines which assure (1) the owner a fair return on investment and (2) affordability for the new purchaser

MATCHING REQUIREMENTS

- Depending upon the activity HOME funds require the following matching monies:

<u>ACTIVITY</u>	<u>MATCH</u>
Rehabilitation	25%
Substantial Rehabilitation	33%
New Construction	50%
Rental Assistance	25%

- Matching funds *may* come from:

Non-federal cash contributions

CDBG cash contributions are **not permitted** as a match

Payment of administrative costs

Only 7% of matching funds can be administrative costs

CDBG administrative contributions are **allowed** as a match

Value of customary taxes, fees, or other charges that are waived or foregone

Value of land or other *real* property

Value of investment in on or off site infrastructure required for the assisted housing

- Under limited circumstances HUD may waive the matching requirements

HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE (HOPE)

PROVISION/REQUIREMENT	HOPE I	HOPE II	HOPE III
Eligible Housing	Public & Indian Housing Stock except single family scattered site	Multi-family Properties (5+ units) owned/held by HUD, RTC, FmHA or state/ local government	Single family properties owned/held by HUD, RTC, VA, and PHA scattered site units
Authorization			
1991	\$68 million	\$51 million	\$36 million
1992	\$380 million	\$280 million	\$195 million
Appropriations			
1991	None to date	None to date	None to date
1992	TBD	TBD	TBD
Eligible Applicants	PHA, RMC, Resident Councils, Non-profits, public bodies	Same as Hope I	Private non-profits, Cooperative associations, public agencies in cooperation with a private non-profit
Eligible Homebuyers	Public housing residents, low income families, families assisted under HUD or FmHA Programs	Tenants of eligible properties, low-income families	Low-income families who are first time homebuyers
Non-Federal Match	4:1	3:1	3:1

HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE

PROGRAM DESIGN

- o Eligible applicants **assess** needs and prepare grant applications
- o Grant applications **competitively** reviewed and evaluated **by** HUD based on such things as:
 - qualifications of **the** applicant
 - tenant interest **in** the development of a program
 - potential** for a successful program
 - appropriateness of housing Stock to a homeownership program
 - national** geographic **diversity**

ELIGIBLE ACTIVITIES

Planning Grants not to exceed \$200,000 each may be used for:

- o technical assistance for specific **homeownership** program **development**,
- o **preliminary** architectural and engineering work;
- o tenant and homebuyer counseling and training;
- o planning for economic development activities that promote **economic self** sufficiency;
- o **feasibility** studies of proposed homeownership programs;
- **development** of security plans;
- o preparation of implementation grants;
- o development of RMCs and resident councils (Hope I and II **only**)

Implementation Grants may be used for:

- **architectural** and engineering work;
- acquisition **and** rehabilitation;
- homebuyer counseling and training;
- permanent and temporary relocation assistance;
- legal fees;
- ongoing training to carry out the program;

For HOPE I and II -- administrative costs which may not exceed 15% **of** assistance; operating costs and implementation of replacement housing plans.

- o Economic development activities to promote self-sufficiency may **not total** more **than** \$250,000 under both planning and implementation grants combined.
- o **Items** covered under planning grants cannot also be covered under implementation grants

PROGRAM REQUIREMENTS

Housing Strategy

Programs must be consistent with approved state or local housing strategy.

Affordability

Sales price must be set so that monthly PITI does not exceed 30 percent of family's adjusted monthly income.

Housing Quality Standards

Prior to transfer **units** must be free of health/safety defects and must, within 2 years, satisfy minimum housing quality standards to be set by HUD

Participant Selection

Current tenants have the first opportunity to participate; other low income tenants are eligible with preference to those who have participated in an economic self-sufficiency program. For HOPE III, in addition to being low income, participants also must be first-time homebuyers (in general, defined as persons who have not owned a home within the past three years)

Protection of Existing Tenants

No tenant may be evicted for declining to participate.

HOPE I guarantees non-participants who choose to move relocation assistance and, subject to availability of appropriations, a unit in another public housing project or Section 8 existing assistance.

For HOPE II relocation assistance must be provided and Section 8 assistance must be provided if appropriations are available.

Timely Homeownership

Programs must transfer properties to tenants in accordance with a specified, 'reasonable' time schedule.

Prior to sale property must be operated as rental housing according to written tenant selection policies approved by HUD.

Resale Restrictions

If ownership is transferred within 6 years owners proceeds are limited to: personal equity contributions to date + value of improvements made by family + appreciated value measured by index agreed upon at time of purchase

If ownership is transferred between 6 and 20 years, the homeownership program must recapture the outstanding principle balance of any note securing the difference between the original market value of a property and the original purchase price.

Program administrators may impose other restrictions such as caps on Owner proceeds

Administrators have the first right to purchase properties from homeowners at the same amount agreed to in a firm contract between the Owner and prospective buyer.

Net resale proceeds are split (50/50) between the homeownership program and HUD

RESOLUTION NO. 91-159
=====

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING CONSORTIUM AGREEMENT WITH SAN JOAQUIN COUNTY FOR
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)
=====

WHEREAS, under the Housing and Community Development Act of 1974, San Joaquin County as an urban County is potentially eligible to receive Home Investment Partnerships Program (HOME) funds equal to or greater than \$750,000, for purposes of receiving HOME funds under the National Affordable Housing Act and promoting affordable housing;

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby approves the execution of a Cooperation Agreement with San Joaquin County, as necessary, to become eligible to receive funds under Housing and Urban Development's HOME Program, to be in force through the end of Federal Fiscal Year 1993.

Dated: August 21, 1991
=====

I hereby certify that Resolution No. 91-159 was passed and adopted by the Lodi City Council in a regular meeting held August 21, 1991 by the following vote:

Ayes : Council Members - Pennino, Pinkerton, Sieglock, Snider
and Hinchman (Mayor)

Noes : Council Members - None

Absent: Council Members - None


Jennifer M. Perrin
Deputy City Clerk

for Alice M. Reimche
City Clerk

91-159

COOPERATION AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 1991, between the COUNTY OF SAN JOAQUIN, a political subdivision of the State of California, hereinafter referred to as "COUNTY", and the CITIES of Escalon, Lathrop, Manteca, Ripon, Tracy, duly Incorporated Cities within the County and the City of Lodi and Entitlement City, hereinafter referred to as "CITY" when referring to a single city named **above** or "**CITIES**" when referring to **more** than one of the cities named above.

W I T N E S S E T H :

WHEREAS, the National Affordable Housing Act of 1990. **Public Law 101-625**, enacted November 28, 1990, provides for the distribution of federal funds through the HOME Investment Partnerships **Act** to eligible public entities; and

WHEREAS, those public entities which are eligible to receive said funds are metropolitan cities, urban counties or consortia whose formula allocation for distribution of HOME funds is equal to or greater than **\$750,000**;

WHEREAS, the COUNTY, having heretofore qualified as an urban county under the Housing and Community Development **Act** of 1974 and thus is eligible under the formula allocation to receive HOME funds, solicits the cooperation and co-participation of public entities such as the CITIES in a Consortium for **purposes** of receiving HOME funds under the National Affordable Housing Act and promoting affordable housing; and

WHEREAS, the individual CITIES, not being eligible for a formula allocation equal to or greater than **\$750,000**, desire to cooperate and co-participate with County in a Consortium for purposes of receiving HOME **funds** and promoting affordable housing; and

WHEREAS, a Cooperation Agreement by and between CITIES and COUNTY establishes the formal relationship to cooperate and co-participate as a Consortium and is specifically authorized under the provisions of Government Code Section **6502** and **26227**; and

WHEREAS, Federal regulations **24 CFR** Part 92 governing the Home Investment in Affordable Housing Program state that the cooperation agreement must be completed and submitted by **August 1, 1991**; and

WHEREAS, CITIES now desire to enter into the instant Cooperation Agreement with the COUNTY so that they may qualify, under applicable provisions of the National Affordable Housing Act and HUD regulations, **as** co-participants with county in eligible activities under the Act:

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING, the parties hereto agree as follows:

1. Purpose: This agreement is for the purpose of enabling the COUNTY and the CITIES to cooperate in undertaking, or assisting in undertaking, public-private partnerships to provide more affordable housing within San Joaquin County through the use of HOME funds to carry out multiyear housing strategies through acquisition, rehabilitation, new construction of housing, tenant-based rental assistance and financing of rental housing and first-time homeowners programs, primarily to benefit low and very low income households.

2. Term: The term of this agreement shall be for the remainder of Federal fiscal year **1991** and for full Federal fiscal years of 1992 and **1993**, unless HUD earlier revokes the Consortium's designation as a participating jurisdiction. CITIES agree not to withdraw from the Consortium prior to the expiration of Federal fiscal year **1993**.

3. Consortium Representative: The COUNTY is authorized to act in a representative capacity for all Consortium member units of general local government for the purposes of the HOME program.

4. (a) Consortium Representative's Responsibility: COUNTY, as designated representative of the Consortium, has the ultimate and overall responsibility, under the **Act**, and in the view of HUD, for ensuring that the Consortium's HOME program is carried out in compliance with the requirements of **24** CFR Part 92, including the submission of a Program Description for the Use of HOME funds which has been mutually agreed upon by CITIES and COUNTY, and for providing all assurances or certifications **required** under **24** CFR Part 92. The Program Description sets forth the Consortium's estimated use of HOME funds (consistent with needs identified **in** its approved consolidated housing strategy) within each of the eligible activity categories. Therefore, COUNTY requires CITIES, and CITIES agree to strict adherence to the Program Description as approved, and to all assurances and certifications provided, including agreeing to take all actions necessary to assure compliance **with** the County's certifications under the Fair Housing Act; Executive Order 11063 (Equal Opportunity in Housing) and Title VI of the Civil Rights **Act** of 1964; and the Uniform Relocation Assistance and Real

Property Acquisition Policies Act of 1970. COUNTY shall not provide HOME funds for activities in, or in support of, any cooperating CITIES that do not affirmatively further fair housing within their own jurisdictions. Nor shall COUNTY provide HOME funds for activities that impede the COUNTY'S actions to comply with its fair housing certification. In addition, the COUNTY and CITIES are responsible for taking all required actions to comply with the provisions of the National Environmental Policy Act of 1969.

(b) City Subject to Same Requirements as Subrecipients: Pursuant to 24 CFR 92.504(a), each CITY is subject to the same requirements applicable to subrecipients, including the requirement of a written agreement set forth in 24 CFR 92.504(b). COUNTY, as Consortium representative, has the responsibility for ensuring that HOME funds are used in accordance with all program requirements, for determining the adequacy of performance under agreements and procurement contracts, and for taking appropriate action when performance problems arise. Therefore, before disbursing any HOME funds to CITIES or projects in the CITIES, COUNTY will require CITIES, and CITIES agree to enter into a written agreement for each individual project.

5. Affirmative Action: Under COUNTY'S ultimate supervision and responsibility as Consortium representative, Each CITY covenants and agrees that it will abide by and enforce all applicable affirmative action requirements including, but not limited to Executive Order 11246, the Equal Employment Opportunities Act, the San Joaquin County Affirmative Action Plan and local affirmative action plans.

6. County's Responsibility to Cities: In addition to the foregoing obligations, COUNTY agrees:

a. As Consortium representative, COUNTY shall, in preparing future plans under the National Affordable Housing Act, solicit to the extent allowed by the Act and all HUD regulations, CITIES' participation in the development of such future plans which refer to CITIES' activities under the Act.

b. As Consortium representative, COUNTY agrees to distribute funding it receives from the Consortium's current plan application and in future plans, in accordance with the terms and provisions therein contained, or in accordance with such terms and conditions as required by the Act of HUD.

7. Cities Responsibilities to County: In addition to the foregoing obligations:

a. Each CITY agrees to expend any funds received by virtue of any of the Consortium's plans only in accordance with the terms and conditions stated therein, or as amended by HUD.

b. Each CITY agrees to cooperate with COUNTY as Consortium representative in the development of future plan applications for HOME funds under the Act, with regard to affordable housing development activities to be continued or undertaken by each CITY within its boundaries.

8. Local HOME Investment Trust Fund:

a. As Consortium representative, COUNTY must establish a local HOME Investment Trust Fund account.

b. Any repayments of HOME funds and matching contributions and any payment of interest or other return on the investment of HOME funds and matching contributions must be placed in the local HOME Investment Trust Fund account,

c. COUNTY has the responsibility for monitoring and reporting to HUD on the use of any such local HOME Investment Fund monies and COUNTY shall require appropriate recordkeeping and reporting by each CITY as may be needed for this purpose; and

d. In the event of close-out or change in status of any CITY or CITIES, any HOME program income that is on hand or received subsequent to the close-out or change in status shall be paid into the local HOME Investment Trust Fund administered by the COUNTY as Consortium representative. A CITY may elect to have its matching contribution, as available, returned to the CITY or remain in the local HOME Investment Trust Fund for use for other eligible projects.

9. Headings: The headings in this document are merely for the convenience of the parties, and do not form a material part of this document. Headings shall not be considered in the construction of this document.

10. Minor Amendments to the Agreement: Should it become necessary to change the language of this agreement to meet HUD requirements this Agreement may be amended in writing with the written consent of both the City Manager of any affected CITY and the Chairman of the San Joaquin County Board of Supervisors.

All remaining provisions of said agreement shall remain in full force and effect for the term provided herein.

11. Counterparts to this Agreement shall be treated the same as the original Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

"COUNTY"

"CITIES"

By: _____
GEORGE L. BARBER, Chairman
Board of Supervisors
County of San Joaquin

By: _____
Mayor
City of Escalon

ATTEST:

APPROVED AS TO FORM:
JOHN F. CHEADLE, County Counsel

City Clerk
City of Escalon

By: Edward R. Bunting

By: _____
Mayor
city of Lathrop

ATTEST: JORETTA J. HAYDE
Clerk of the Board of
Supervisors of the County of
San Joaquin, State of California

ATTEST:

By: _____
Deputy Clerk

City Clerk
City of Lathrop

"CITIES"

By: David M. Quinn
Mayor
City of Lodi

By: _____
Mayor
City of Ripon

ATTEST:

ATTEST:

Alice M. Beumck
City Clerk
City of Lodi

City Clerk
City of Ripon

BY: _____
Mayor
City of Tracy

BY: _____
Mayor
City of Manteca

ATTEST:

ATTEST:

City Clerk
City of Tracy

City Clerk
City of Manteca
Approved as to form Bob McNatt
Bob McNatt
City Attorney

5

Date: _____

HOME INVESTMENT PARTNERSHIPS ACT (HOME)

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